

Harry L Johnson
Independent Herbalife Distributor

July 7, 2006
Re: Business Opportunity Rule R511993

To whom it may concern,

I am writing this letter because I am concerned about the proposed Business Opportunity Rule R511993. While I understand the responsibilities of the FTC to protect the public from “unfair and deceptive acts or practices,” I believe that this proposed rule could have an unnecessary and significant impact on my business and the livelihood of millions of Americans who are involved in the direct sales industry. There are specific sections in the proposed rule that will make it very difficult, if not impossible, for me to sell the Herbalife products. Like myself, the vast majority of Herbalife distributors main focus is the sale of Herbalife’s wonderful health and nutrition products.

I have been a distributor with Herbalife for over 9 years and it has been my soul source of income for over 8 years. I became involved with this company because I felt the products were exceptional my wife and I lost a total of 102 Pounds on the products. Later on, I became further involved so that I could earn additional income. Through Herbalife, I have developed leadership skills, business skills, and cultivated many meaningful relationships. My family and I enjoy the health benefits of using these products daily and are thrilled to be part of Herbalife’s distributor group. We have come to rely on the income from my direct selling business. The future of my family is dependent on the stability of the direct selling industry.

The Seven-Day Waiting Period: One of the most confusing sections of the proposed rule is the seven-day waiting period to enroll new distributors. Herbalife’s Distributor Kits cost only \$65.00, and each kit contains products, samples, training materials, etc., worth far more than the sale price. When a Starter Kit is purchased, the purchaser becomes a distributor and is granted special discounted pricing on all orders. No commissions or other compensation is paid on these kits, and the company just covers its production costs. Having this waiting period gives the impression that there might be something wrong with the company or the compensation plan. I also think this seven-day waiting period is unnecessary because Herbalife fully refunds this cost if the customer decides to send it back. Requiring a seven-day waiting period before a distributor is allowed to even place an order would be destructive to the businesses of thousands of distributors who are building a business around Herbalife’s products.

Litigation Information: The proposed rule also calls for the release of any information regarding lawsuits involving misrepresentation or unfair or deceptive practices, regardless of whether the company was found innocent or not. Today, anyone or any company can be sued for almost anything. It does not make sense to me that I would have to disclose these lawsuits. Otherwise, Herbalife and I are put at an unfair disadvantage even though the company has done nothing wrong. To release this information would be misleading to prospective distributors.

References: The proposed rule requires the disclosure of a minimum of ten prior purchasers or distributors nearest to the prospective purchaser would have a seriously negative impact on my business. Because I do a significant amount of business through the Internet 95% of my customers and distributors are not in my local area. So this new rule would require me to give my prospective customers and distributors a list of customers or distributors in their local area that are much closer and much more convenient for them to register with and by products from. What would stop those people taking my customers and distributors that I have worked so hard to obtain. I spend a lot of time, energy, and effort to generate my online business and feel as though this would be unfair.

Also in this day of identity theft, I am very uncomfortable giving out the personal information of individuals, particularly without their approval, to strangers. Also, giving away this information could damage the business relationship of the references who may be involved in other companies or businesses, including those of competitors. I also think the following sentence required by the proposed rule will prevent many people from wanting to sign up as a distributor: "If you buy a business opportunity from the seller, your contact information can be disclosed in the future to other buyers." People are very concerned about their privacy and identity theft. They will be reluctant to share their personal information with individuals they may have never met.

Cancellation: Because of the ease of becoming an Herbalife distributor (\$65). It is easy for someone to register and never even start to work the business. In other instances some people achieve their goals and decide to stop purchasing from Herbalife after a period of time, or forget to pay the \$10 a year registration fee and lose their distributor status. As with any business, this amounts to many customers who no longer order from them each year. Maintaining such lists and providing them to every potential distributor and wholesale customer would be an unrealistic burden. To release this information would be misleading to prospective distributors who are serious about working there business.

I appreciate the work that the FTC does to protect consumers, yet I believe this proposed new rule has many unintended consequences, and there are less burdensome alternatives available to achieving your goals.

Thank you for your time in considering my comments.

Sincerely

Harry L Johnson